

HOUSE FINANCE COMMITTEE

May 4, 2021

1:33 p.m.

1:33:16 PM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Kelly Merrick, Co-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter  
Representative Bryce Edgmon  
Representative DeLena Johnson  
Representative Andy Josephson  
Representative Bart LeBon  
Representative Sara Rasmussen  
Representative Steve Thompson  
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget,  
Office of the Governor

SUMMARY

HB 70          APPROP: CAP; REAPPROP; SUPP; AMEND

HB 70 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the meeting agenda.

#hb70

HOUSE BILL NO. 70

"An Act making appropriations, including capital appropriations, reappropriations, and other appropriations; making supplemental appropriations; making appropriations to capitalize funds; and providing for an effective date."

1:34:00 PM

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced a PowerPoint presentation titled "State of Alaska Office of Management and Budget: House Finance Committee FY2022 Capital Overview: HB 68, HB 70, HB 71, HB 84," dated May 4, 2021 (copy on file). He began on slide 2 and explained there were capital budget items across several appropriation vehicles introduced by the governor. He detailed that HB 70 was the governor's standard FY 22 capital budget and HB 71 was the mental health budget inclusive of mental health capital items. He elaborated that HB 70 included some supplemental capital items effective in FY 21, HB 68 represented the fast track supplemental items, and HB 84 represented regular supplemental items.

Mr. Steininger reported that the FY 22 total was just under \$1.5 billion in capital projects, of which, \$62.2 million was funded with unrestricted general funds (UGF). He listed the FY 21 supplemental items at slightly over \$142 million. He characterized the net reduction in FY 21 UGF spending as a bit of a misnomer. He explained that the reduction was a repeal of prior year capital projects completed on time and under budget. He elaborated that the money was deposited into the Alaska Capitol Income Fund. He detailed that the deposit appeared as a positive in the operating budget; the reduction was netted out with the positive in the operating budget and showed up in the capital budget as designated general fund (DGF) spending primarily on deferred maintenance.

1:35:57 PM

Mr. Steininger turned to slide 3 and addressed a deferred maintenance backlog facing the state. He highlighted that capital budget proposals showed a fairly significant sum of money dedicated to deferred maintenance due to the substantial backlog of just under \$600 million excluding the university. The number was about \$2 billion with the inclusion of university facilities. He explained that the

university had been excluded from the deferred maintenance numbers shown on slide 3 because the university tracked its deferred maintenance separately and it did not show the scale of the distribution nearly as well to add a \$1.4 billion column. He pointed out that the majority of the backlog was located in the Department of Transportation and Public Facilities (DOT). The second largest backlog fell under the Department of Administration (DOA) given the department's responsibility for managing many of the state's office buildings. He remarked that agencies with a greater number of facilities tended to have more of a backlog in deferred maintenance.

Co-Chair Merrick asked about a breakdown for DOT deferred maintenance in terms of facilities versus roads and bridges.

Mr. Steininger replied that he would follow up with the information.

[1:37:39 PM](#)

Mr. Steininger reported that the administration had allocated just under \$65 million across several appropriation vehicles in proposed deferred maintenance spending. He detailed that about \$13.4 million had been included as fast track supplemental items. He explained that there had been no appropriation for deferred maintenance expenditures in the FY 21 capital budget. He elaborated that with the understanding that a supplemental bill would not pass early in the session, the administration had allocated the majority of the deferred maintenance proposals into FY 22. He noted that certain projects had been included in the fast track supplemental that would enable projects to begin once the bill had passed. The slide showed a breakdown of statewide deferred maintenance for general state buildings, public building fund (primarily office buildings, and court facilities that were managed separately).

Co-Chair Merrick noted that Representative Carpenter had joined the meeting.

Mr. Steininger turned to slide 5 and provided an FY 22 capital budget snapshot by department. He highlighted that the largest percentage of the funds were directed to DOT for the Surface Transportation Infrastructure Program (sic)

[Statewide Transportation Improvement Program (STIP)]. He pointed to a larger dollar figure in the "FY22 Other" funds column than was typical in the capital budget. He explained that part of the proposal was to utilize bonding through the Alaska Housing Finance Corporation (AHFC) to fund the state match requirements of the STIP, the Airport Improvement Program, and the Village Safe Water Program. He explained that the aforementioned programs were the areas with the most significant federal match on General Fund dollar spending. The administration's proposal would use AHFC bonding in order to take advantage of low interest rates to meet the need.

Vice-Chair Ortiz looked at slides 4 and 5 and asked if deferred maintenance for statewide schools was included in the figures.

Mr. Steininger noted that the presentation did not include any of the general obligation bond proposals. He explained that the AFHC bond proposals were included because they were in the governor's standard capital budget. He relayed that the general obligation bond proposal put forward by the administration addressed school major maintenance; however, it was not included in the normal capital budget. He elaborated that the administration had a separate proposal to address the need, which was not included in the current presentation.

[1:40:58 PM](#)

Representative Josephson referred to the governor's proposal to fund three items with an AHFC bond proposal. He recalled the Village Safe Water Program as one of the items and asked Mr. Steininger to repeat the first two.

Mr. Steininger replied that the other items were the Airport Improvement Program and the STIP. He noted the two items were the primary DOT capital programs.

Co-Chair Merrick asked for clarification on the meaning of STIP.

Mr. Steininger answered that the STIP was the DOT program responsible for building and improving most of the DOT owned roads throughout the state. He detailed that there was a 90/10 match (90 percent federal and 10 percent state).

Co-Chair Merrick asked how STIP projects were prioritized.

Mr. Steininger provided a high level answer and noted that DOT could give more detail. He explained there was an annual process where DOT ranked the projects and put them on the STIP with cost estimates. He expounded that the list was sent to the Federal Highway Administration for review.

Co-Chair Merrick noted DOT would address the committee later in the week.

Mr. Steininger turned to slide 6 and addressed projects by department beginning with the Department of Commerce, Community and Economic Development (DCCED). He relayed that projects included in the FY 22 capital budget primarily were standard projects included annually such as community block grants and the Natural Petroleum Reserve-Alaska (NPRA) Impact Grant Program. He elaborated that the projects recurred annually and generally had a fairly generous federal to state ratio. He highlighted there was a substantial amount of federal funding for community block grants [\$60 million] with very little state match required [\$6 million].

Mr. Steininger continued to address slide 6. He relayed there were fewer opportunities for discretionary capital spending, meaning most projects relied on the federal match. He noted he would bring attention to new, one-time projects throughout the presentation. He pointed to item 3 showing an increment for the replacement of the Alcohol Marijuana Control Office (AMCO) case management system funded with 50 percent UGF and 50 percent program receipts. He highlighted item 8 showing a \$5 million grant for the Alaska Travel Industry Association (ATIA). He remarked that the slide reflected the governor's December proposal and subsequent amendments. He explained that some of the items, like the grant to ATIA, may be accomplished through the plans the state had been working to develop for use of federal relief. He referenced discussion around using American Rescue Plan Act (ARPA) funding for tourism marketing and noted there may be some discretionary items that could fit within the category - details that were not known when the budget had been developed.

[1:44:52 PM](#)

Co-Chair Foster looked at item 6 on slide 6 showing \$13 million for bulk fuel upgrades in the Alaska Energy Authority (AEA) partially funded by the Power Cost Equalization (PCE) endowment. He stated that statute outlined uses for PCE funds. He referenced the waterfall funding structure. He explained that originally PCE was intended solely for the PCE Fund for energy assistance in rural Alaska. He detailed that several years back a change had been made that enabled any leftover funding to be used for community assistance. He elaborated that any remaining funding could then go toward renewable energy within AEA. He asked if the administration considered bulk fuel upgrades to be part of AEA's renewable energy. Alternatively, he asked if the item was outside of the scope of all three. He asked about the administration's thoughts on using PCE funds for the highlighted purpose.

Mr. Steininger explained that based on the available funds in the CBR and available revenues to the state when the budget had been developed, the administration had looked for fund sources to satisfy some of the needs that may be slightly outside of the statutory designation but that still fit within the goal of reducing power costs. He explained that the fund source had been selected due to an unavailability of UGF when the budget had been drafted.

[1:46:53 PM](#)

Mr. Steininger moved to the Department of Corrections on slide 7. The bill would allow for the installation of seven new facility body scanners at a cost of \$1.5 million UGF. He noted that the request put forward the past year had not been accommodated when the capital budget had been merged into the operating budget. The bill included \$1.5 million for the Point Mackenzie Correctional Farm Produce Processing Plant. The increment would allow the plant to distribute produce grown at Point Mackenzie to other prisons. He briefly highlighted four standard increments for the Department of Environmental Conservation on the second half of the slide, including clean water, drinking water, and two components for the Village Safe Water program.

Mr. Steininger moved to slide 8 and reviewed the Department of Fish and Game (DFG) capital budget items. He pointed to two funding increments to address the Pacific cod disaster and 2018 Sockeye salmon disaster. Item 3 included federal

and General Fund match in addition to \$750,000 UGF to allow the state to research species that may be considered for the Endangered Species Act. The funding would also enable the state to do work (funded by the federal government) related to species placed under the Endangered Species Act. He highlighted items 8 and 9 as the standard sport fish and wildlife management projects matched with funding from the Fish and Game Fund.

Mr. Steininger continued to review DFG increments on slide 8. He pointed out facility maintenance and improvement items including the Copper River boat launch (item 5). He noted that item 6 - facilities, vessels, and aircraft maintenance repair and upgrades - had been separated from the main deferred maintenance appropriation because the main appropriation tended to focus on state facilities. He elaborated that a direct appropriation to DFG enabled the department to use the funding for maintenance on vessels and aircraft that were often left out of discussions that typically related to vertical facilities.

[1:49:46 PM](#)

Mr. Steininger advanced to slide 9 and reviewed the Office of the Governor items including statewide deferred maintenance. He elaborated that the increment allowed the governor's office to prioritize projects across all state agencies. He explained that many agencies had facilities. The goal was to ensure that money was being directed to deferred maintenance projects at the highest need of the state. Item 2 was a capital project for the Division of Elections to implement 2020 Ballot Measure 2.

Mr. Steininger addressed items in the Department of Health and Social Services (DHSS) budget on slide 9. He noted there were several items that were not necessarily deferred maintenance but needed work at some of the facilities run by DHSS including the Ketchikan Pioneer Home and the Palmer Veterans and Pioneer Home. Item 3 was an appropriation for the Health Information Exchange, often called the Hi-Tech program. He noted the program was in its last year and the appropriation would be the final funding. He highlighted item 9, a reappropriation to capital projects from the Office of the Governor. He detailed that several years back a few information technology projects had been appropriated to the Office of the Governor for other state agencies. The administration had discovered that the change had slowed

the process down instead of providing additional management oversight; therefore, the authority would be reappropriated to the managing departments.

1:51:51 PM

Mr. Steininger reviewed items for the Department of Military and Veterans Affairs (DMVA) on slide 10. He reviewed item 2, an increment for the mass notification system for Joint Base Elmendorf Richardson (\$2.5 million General Fund match/\$2.5 million federal receipts). Item 3 was an increment for Joint Base Elmendorf Richardson digital control, generator, and preventative maintenance. He noted that some of the maintenance items for DMVA were separately appropriated outside of the statewide increment because DMVA was often able to leverage federal receipts for facility maintenance.

Representative Wool asked about projects on military bases. He asked when the state was responsible to pay for things on federal military bases.

Mr. Steininger answered that because there was a shared state responsibility with DMVA, there were facilities on the base that were used by DMVA. He noted there was also a shared responsibility included in the operating budget for some of the maintenance. He elaborated that it could get complicated because some of the maintenance was completely paid for within the [U.S.] Department of Defense budget and did not flow through the state. He explained that the items on slide 10 reflected facilities the state was responsible for that had some shared costs with the federal government.

Mr. Steininger moved to slide 11 and reviewed items in the Department of Natural Resources (DNR) budget. He highlighted a \$4.5 million specialty agricultural crop block grant (item 1). Item 2 was for critical minerals mapping referred to as Earth MRI (previously known as 3DEEP). Item 4 was an increment for geological mapping for energy development. He explained that items 2 and 4 used general funds to leverage federal match. Item 5 was Cooperative Water Resource Program Pass-through funding to USGS for Stream Gaging Projects. Item 7 was an increment related to land sales and the development of new subdivisions funded with state land disposal income (money received when state land was sold - a portion of which



could be used to promote and manage the sale of new state lands).

1:55:04 PM

Mr. Steininger continued to review the items in the DNR budget on slide 12. Item 10 was an increment for national recreational trails that was primarily federally funded, but also used some Parks Division receipts. Item 11 was for state park electronic fee stations. He elaborated that previous appropriations used for building electronic fee stations had shown some successes in the collection of fees without as much involvement by parks staff. He highlighted the Kenai River Bookey Parcel Purchase and Eagle Rock Bookey Parcel Improvements paid for with Exxon Valdez Oil Spill Settlement (EVOSS) funds.

Mr. Steininger addressed items in the Department of Public Safety (DPS) budget on the second half of slide 12. He relayed that DPS marine fisheries patrol improvements were funded by federal receipts. The budget included funding for equipment replacement at the state crime laboratory (item 3) to ensure the lab was up to date in providing adequate evidence for cases. The budget also included funding for the replacement of worn or outdated field equipment for wildlife troopers and state troopers.

1:56:50 PM

Mr. Steininger turned to slides 13 and reviewed items in the Department of Revenue (DOR) budget. Items 1 through 9 were all Alaska Housing Finance Corporation (AHFC) appropriations for housing programs including rental relief assistance, teacher and health housing, senior housing, energy efficiency, and various grants for different housing related items. He continued to slide 14 and highlighted three additional AHFC energy efficiency programs.

Mr. Steininger looked at the Department of Transportation and Public Facilities (DOT) budget items on the second half of slide 14. He highlighted funding for the third year of the computerized maintenance management system in the amount of \$1.5 million UGF. He detailed that the software system was used to categorize and rank maintenance of state facilities and inform the decision on the \$49 million appropriation to the Office of the Governor for statewide deferred maintenance. He briefly noted there were several

weigh stations needing repair and replacement [item 2] and \$15 million for typical annual vessel overhaul for the Alaska Marine Highway System.

1:58:20 PM

Representative Edgmon looked at the AHFC supplemental housing development program on slide 13. He had heard concerns that the budget underfunded the program. He detailed that AHFC was able to effectively leverage the program and fully funding the program returned a considerable amount of work and effort. He looked at the AHFC energy programs weatherization increment (item 10) at the top of slide 14. He remarked that the state was challenged for funding, but in an ideal world the increment would be much higher. He stressed that the program had tremendous value in terms of jobs and economic development. He shared that the program resulted in energy cost savings of 30 to 40 percent in homes.

Vice-Chair Ortiz asked Representative Edgmon what the weatherization program funding level had been in past years when there had been more UGF available.

Representative Edgmon answered that in 2008 and 2009 there had been \$300 million in the program when oil prices had been around \$146 to \$147 [per barrel]. He reported that approximately 15 percent of the homes in the state had been weatherized. He stressed it had been a tremendous value in his region where there were many older homes. He detailed that the program had resulted in jobs and value for the money.

Representative LeBon looked at DPS items on slide 12. He reported that the [House Finance] DPS subcommittee had looked at a request for nearly \$1.5 million for vehicles, radios, and other safety equipment items that it had declined to fund in the operating budget. He asked if the capital budget request was to offset the action taken by the subcommittee. He asked if there was any connection to the action.

Mr. Steininger answered there was no connection to the action taken by the DPS subcommittee, but there was a connection to the original proposal. He elaborated that addressing how the state managed the cost of replacement of worn out equipment for troopers could be considered an

ongoing operating cost. The capital budget item would enable the troopers to catch up with some needs. He explained that the proposal to add funding to the base budget would have baked in the funding as an annual operating cost.

Representative LeBon surmised that if the subcommittee had approved \$1.5 million, the \$500,000 increment would not be included in the capital budget.

2:01:45 PM

Mr. Steininger advanced to a continuation of DOT increments on slide 15. The slide included funding for the airport improvement program and STIP. Items 6 and 8 were the associated federal receipts with the state match shown in items 9 and 10 as AHFC bonds. He noted that the use of AHFC bonding required passage of a separate bill to authorize the issuance of the bonds. The slide included a couple of standard projects such as the international airport systems, federal emergency projects, and Federal Transit Administration (FTA) grants. He noted that item 14 on the slide did not reflect a late amendment put forward by the administration the previous day that would raise the FTA grant amount to \$30 million.

2:03:25 PM

Mr. Steininger continued to review DOT items on slide 16. He highlighted a mental health coordinated transportation project annually recurring in the mental health budget. He moved to item 18, an increment for the Anton Anderson Memorial and Portage Lake Tunnel capital improvements using tunnel toll receipts. Additionally, the slide included a reappropriation of capital projects from DOA to DOT for capital projects on public building fund buildings. He expounded that with the proposed shift of the public building fund management to DOT, it was necessary to reassign some of the older capital projects that were not yet complete to DOT management.

Mr. Steininger briefly highlighted the one request from the Alaska Court System for statewide deferred maintenance on court-owned facilities [on slide 16].

2:04:15 PM

Representative LeBon looked at slide 13 and mentioned the Cold Climate Research Center in Fairbanks located near the University of Alaska. He recalled hearing the program had received AHFC funding.

Mr. Steininger believed the program had received AHFC funding directly in the past. He would have to follow up with funding history details.

Representative LeBon believed the AHFC dividend included a carve out for the Cold Climate Research Center.

Mr. Steininger responded that he would follow up with the information.

Mr. Steininger addressed a table showing FY 21 supplemental capital projects on slide 18. He noted that the negative amounts in the table represented reappropriations of capital projects completed under budget. He expounded that the funds primarily went to the Alaska Capital Income Fund to support deferred maintenance projects.

[2:06:24 PM](#)

Mr. Steininger turned to slide 19 showing outstanding supplemental capital projects that were not incorporated into the operating budget. He noted that the operating budget had included quite a few of the governor's supplemental requests. He highlighted a \$1.5 million increment for deferred maintenance on court system buildings, \$500,000 to cover DFG facility, vessel, and aircraft maintenance, and \$5.9 million for general statewide deferred maintenance. He noted that the \$5.9 million for deferred maintenance was significantly less than the funding in the FY 22 budget to account for the fact that the administration would only be able to deploy a small amount of the money in the timing provided once a supplemental bill passed. However, there were more urgent deferred maintenance needs or items that could be benefitted by starting prior to July 1.

[2:07:40 PM](#)

Mr. Steininger advanced to slide 20 and continued reviewing outstanding supplemental capital projects. He highlighted a \$4 million capital project for DOL prosecutor recruitment and housing. The increment was related to the increase in

prosecutor positions in the FY 22 budget to allow for advance recruiting. He reported that several items included in the FY 21 budget request for DMVA had not made it through the budget process due to the truncated session; therefore, the administration had put the items forward in the supplemental budget. He detailed that most of the items were maintenance related for DMVA facilities including the Bethel Readiness Center, Kotzebue Readiness Center, and statewide roof repairs. The budget also included a reappropriation from DOA for the Alaska Land Mobile Radio System (ALMR) outstanding capital projects. He relayed that the program had moved from DOA to DMVA; therefore, the projects needed to be trued-up and moved to the correct department.

[2:08:45 PM](#)

Co-Chair Merrick asked about the justification for using higher education funds for DOL prosecutor housing and recruitment.

Mr. Steininger answered that when the administration had included the item in the fast track supplemental bill, there had been an effort to avoid using UGF in order to move the item through the process as there were some urgent needs in the fast track supplemental. He elaborated that in the interest of avoiding the use of dwindling UGF or CBR funds (at the time the CBR projections showed the fund near the lowest possible balance), the administration had looked to other funds with available balances to meet some of the needs. He clarified that the administration was not trying to draw any connection between the purposes of the higher education fund and the need to address sexual assault; the higher education fund was merely a fund source that could satisfy the funding need.

Representative Wool asked for the definition of a readiness center [increments shown on slide 20].

Mr. Steininger deferred to DMVA for detail. He understood that the facilities were located around the state for members of the guard to convene for training or other activities.

[2:10:48 PM](#)

Mr. Steininger reviewed additional outstanding supplemental capital projects on slide 21. The slide included an increment of \$3.25 million for DNR to assess landslide hazards. The funding would allow for advanced warning of events should a landslide occur and cause a tsunami. He reviewed a reappropriation of a prior year capital project for DOR. The reappropriated funds would be used for tax expertise and economic impact analysis of any tax proposals that may come forward. Additionally, the slide included reappropriations of unexpended balances of DOT capital projects that came in under budget.

Vice-Chair Ortiz looked at the first item on slide 21. He asked if the Alaska landslide hazards request was annual or specific to an event.

Mr. Steininger answered that the funding was for a specific item and was not an annual recurring cost. He did not have the detail on the event.

Co-Chair Merrick thanked Mr. Steininger for the presentation.

[2:12:38 PM](#)

AT EASE

[2:14:03 PM](#)

RECONVENED

HB 70 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the schedule for the following morning.

#

ADJOURNMENT

[2:14:54 PM](#)

The meeting was adjourned at 2:14 p.m.